FISCAL NOTE

Bill #:	HB0388	**Title:**	Montana infrastructure authority for transmission lines
Primary Sponsor:	Olson, A	**Status:**	As Introduced

Sponsor signature Date David Ewer, Budget Director Date

Fiscal Summary

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
General Fund	$70,120	$67,898
State Special Revenue	$700,000	$700,000
Revenue:		
General Fund	($700,000)	($700,000)
State Special Revenue	$700,000	$700,000
Net Impact on General Fund Balance:	($770,120)	($767,898)

- ☐ Significant Local Gov. Impact
- ☐ Included in the Executive Budget
- ☒ Dedicated Revenue Form Attached
- ☒ Technical Concerns
- ☒ Significant Long-Term Impacts
- ☒ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue (DOR)

1. This bill if passed is effective on July 1, 2005.
2. This proposal would create a Montana transmission authority "the authority". The authority would be vested with broad powers to ensure that the state has adequate electrical energy transmission facilities and associated infrastructure "transmission facilities", including building, owning, and operating such facilities. The authority could not construct transmission facilities or provide services if some private entity were constructing facilities and providing the services contemplated by the authority.
3. The authority would be attached to the Department of Commerce (DOC) for administrative purposes. The authority would hire staff, and the DOC would provide additional staff support.
4. The authority would not be a public utility, and would not be regulated by the public service commission.
5. Transmission facilities owned by the authority would be exempt from property taxation, provided that these facilities were used by the authority or some other nontaxable entity. The facilities would be subject to property taxation under the beneficial use law (15-24-Part12 MCA) if the facilities were used by a taxable entity.

6. The Board of Examiners is allowed to issue and sell up to $750 million in bonds to finance the construction of transmission facilities. These bonds would be exempt from taxation in Montana for all taxes except for estate taxes.
7. Except for the tax exemptions for prospective bondholders, the issuance of these bonds will have no effect on the general fund and the state special revenue fund. To the extent that payers of income tax in Montana would shift investment from non-exempt investments to these tax-exempt bonds, individual income tax revenues could be reduced. However, given the large amount of tax-exempt investments currently available, no change in investment patterns of Montana income tax payers is anticipated.
8. The proposal would create a Montana transmission authority special revenue account within the state special revenue fund. Up to $700,000 annually is to be allocated from the Wholesale Energy Transaction Tax "WET tax" to this special revenue account to cover the authority's operating expenses.
9. Under current law, all revenues from the WET tax are deposited in the general fund. Projected revenues from the WET tax are $3.520 million and $3.555 million for FY 2006 and FY 2007 respectively.
10. The Department of Revenue will incur no administrative costs due to this proposal.

Department of Commerce (DOC)

11. HB 388 creates and administratively attaches the 7-member Montana Transmission Authority to the Department of Commerce for the purposes enumerated in the bill. The Montana Transmission Authority would be established in the Department of Commerce as a separate division.
12. Authority powers are described in detail in Section 5 of the bill. These include contracting, purchasing, establishing fees, and employing officers, agents, and employees among other items.
13. The authority is funded in Section 9 via a statutorily appropriated state special revenue account from revenues derived from the wholesale energy tax established in 15-72-106, MCA. Current wholesale energy tax revenues are deposited in the general fund.
14. Section 22(4) states: "Beginning July 1, 2005, an amount sufficient to fund the activities of the Montana transmission authority established in [section 4], as determined by the authority, but not to exceed $700,000 of the wholesale energy transaction tax collected under this part, must be deposited annually in the state special revenue account provided for in [section 9]." For the purposes of this fiscal note it is assumed the Authority will expend the annual amount provided for in the bill, or $700,000 each fiscal year.

Department of Environmental Quality (DEQ)

15. Department of Environmental Quality (DEQ) staff would be assigned the lead state role for Montana Environmental Policy Act (MEPA) compliance for new lines. When a project is proposed, about six months per year of one person's time would be devoted to MEPA coordination. Two projects per year would be proposed (one upgrade and one new line).
16. One full-time pay band six environmental specialist will be needed to fulfill the duties required under this bill. The funding needed for personal services costs are $42,573 in FY 2006 and $42,410 in FY 2007.
17. Half of the lines that would be sponsored by the authority would be interstate lines or trans-border lines that would require extra coordination for permitting when compared to intrastate lines. Travel (both in-state and out-of-state) would be required when projects are planned and when environmental reviews are required. Travel and other operating expenses total $27,547 in FY 2006 and $25,488 in FY 2007 including: office rent $3,300/year; office and field supplies and services (e.g., desk, computers, computer software, computer software maintenance, telephones, office supplies, education/training, GPS unit, and digital camera) $5,630-FY 2006 and $3,610-FY 2007; travel $8,400 per year (12 trips at $700 per trip for vehicle mileage, plane fares, meals, and lodging); and agency indirect costs $10,217-FY 2006 and $10,178-FY 2007.
18. The general fund is assumed to fund these activities, as the bill does not provide a funding mechanism.

19. Section 8(1) requires state agencies to cooperate with the Montana Transmission Authority (Authority) in the planning of facilities or the permitting or construction of those facilities. There is no limitation on this requirement for cooperation. State agencies will have to render the service whether or not they have the resources to do so. It is assumed that DEQ staff with knowledge of transmission planning and siting will be required to assist the authority in planning efforts. Up to six weeks per year of time in the DEQ Major Facility Siting Act (MFSA) program would be required to cooperate in project planning.
20. In compliance with Section 8(2) DEQ would only provide scientific, economic, and other relevant data requested by the authority up to the limit of available resources. These data requests would take about two weeks per year for the MFSA program.
21. Workloads for the MFSA program would be reduced because some lines that previously would be privately funded, and fall under MFSA, would be regulated by the authority whose lines would not fall under MFSA (see Section 27).
22. The increased workload in the MFSA program in assumptions 20 and 21 and the decreased workload in assumption 22 offset. Therefore, there is no fiscal impact to the MFSA program.

FISCAL IMPACT:

Department of Commerce

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
Operating Expenses	$700,000	$700,000
Funding of Expenditures:		
State Special Revenue (02)	$700,000	$700,000
TOTAL		
Revenues:		
General Fund (01)	($700,000)	($700,000)
State Special Revenue (02)	$700,000	$700,000

Department of Environmental Quality

	FY 2006 Difference	FY 2007 Difference
FTE	1.00	1.00
Expenditures:		
Personal Services	42,573	42,410
Operating Expenses	27,547	25,488
TOTAL	$70,120	$67,898
Funding of Expenditures:		
General Fund (01)	$70,120	$67,898
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
General Fund (01)	($770,120)	($768,898)
State Special Revenue (02)	$700,000	$700,000

LONG-RANGE IMPACTS:

General fund revenues will be reduced by (up to) $700,000 per year as long as the authority is in existence.

TECHNICAL NOTES:

1. Section 4(7) states: "The authority is attached to the department for administrative purposes, and in addition to any employees hired by the authority, the department shall provide staff support to the authority. The department shall act as a liaison between the authority and other state or federal agencies." HB 388 should be amended as follows: "The authority is attached to the department for administrative purposes only and, unless inconsistent with this section, the provisions of 2-15-121 apply. ~~and in addition to any employees hired by the authority,~~ The department shall provide staff support to the authority and ~~. The department shall~~ act as a liaison between the authority and other state or federal agencies."